

## ESG Presentation

### Developing Sustainable Energy: Eni's Integrated Model

Paris, 30<sup>th</sup> September 2016

#### Presentation

#### Speakers:

Claudio Descalzi – CEO

Roberto Casula - Chief Development - Operations & Technology Officer

Luca Cosentino - Direttore Energy Solutions

Good morning and thank you for being here today.

The main objective of this meeting is to give you an update on our Environmental, Social and Governance model.

Since last time we met, many things have happened and Eni's model has been improved and adjusted in order to face this different scenario.

And now I'd like to give you some elements to define the context and the future challenges we are going to face.

The key future challenge for the energy sector is to achieve a balance between:

- maximising access to energy, and
- fighting climate change.

Today 2/3 of our carbon budget, equivalent to 2.9 Trillion tons of CO<sub>2</sub>, has already been used.

Over the coming decades, the World's population will grow from 7 to 9 billion and energy demand will increase by around 30%. There will be also a geographical shift in consumption and 70% of energy demand will come from non-OECD countries, which represent around 85% of the world's population.

A major priority is how to extend access to affordable energy. Today there are 1.3 billion people with no access to electricity, half of them in Sub-Saharan Africa, and 2.7 billion people still using biomass for domestic cooking and heating.

However, if the global temperature increase is to stay below 2°, we cannot give access to energy and satisfy the increasing energy demand with the current carbon intensive energy mix.

The solution to this equation will provide the basis for energy transition, although this process will take time, at least until there is a technological breakthrough.

The challenge therefore is to change the energy mix, thinking in terms of priorities, feasibility, long term planning and the world's carbon budget.

Even in this complex and volatile scenario, Eni's model looks toward long term value creation for both company and stakeholders and pays strict attention to the environment.

Our model unites financial robustness with social and environmental sustainability, through:

- Competences and innovation
- Risk management and
- Compliance

We made the decision to grow organically to minimize risks and costs and our upstream business is based on a conventional portfolio. We avoided tar sands and very complex developments, preferring to focus our efforts on undiscovered, conventional resources, and where possible, close to existing facilities.

Exploration successes of 12 billion boe discovered since 2008, have made us the sector's top performer and justify the choice we made.

Exploration is fuel of our organic growth, allowing us to reach a breakeven level amongst the lowest in the industry and is powerful in consolidating partnerships with host countries.

In the downstream sector, we are pursuing a turnaround plan which aims at enhancing efficiency and converting loss making assets into sustainable green businesses.

To successfully execute these strategic guidelines, we have at our disposal:

- A unique cooperation and development model with the host countries
- An operating model that minimises risk and social and environmental impacts and
- A clear and defined path to decarbonization. For this last point, in 2015 we constituted the Energy Solutions Department, which reports directly to the CEO.

Now let me talk to you about our integrated approach to risk management and compliance.

These functions are now reporting directly to me, having become independent from business and staff activities.

This results in a more effective and efficient organization, something that is more crucial in a context with growing uncertainties and risks.

The Heads of these Departments are appointed by the CEO after consultation with our Chairwoman.

They are the process owners of the activities under their autonomous responsibility. They periodically report relevant matters to the Board and the various control committees.

Risk assessment is carried out with a quarterly review of the company risk profile which covers all business lines and 29 processes, encompassing more than 95% of the company performances in terms of cash flow, production and capex.

Our risk portfolio consists of about 150 risks, of which around 20 are classified as top risks.

These top risks are grouped in Strategic, External and Operational risks.

And now let me talk you through our focus on the long term strategy to reach decarbonization targets.

Before this, let's watch a short video.

#### INFOGRAPHIC

We acknowledge all the challenges posed by climate change, energy poverty and the need to limit the temperature increase.

To address these seemingly conflicting issues, we created an integrated energy transition strategy that is based on the following action plan:

1) The first action is to lower CO<sub>2</sub> emissions and enhance efficiency in all our operations.

We have already reduced our direct CO<sub>2</sub> emissions by 28%, equivalent to 16.8 million tons of CO<sub>2</sub> since 2010. In the coming years we will continue to grow in the core business, targeting zero routine flaring by 2025 and an overall 43% reduction of emissions per barrel produced.

2) Secondly, we aim to preserve a low carbon portfolio and promote the use of natural gas as a bridge fuel for electricity generation, but also for transport. 58% of Eni's existing projects are gas, and upcoming developments in Mozambique, Egypt and Indonesia confirm our commitment.

3) Finally, we will spread the development of renewables in the countries where we operate, whilst stimulating technological research.

In the downstream we have already launched this strategy, placing the production of green bio-products alongside our traditional business. We were the first to convert a traditional refinery into a bio-refinery, in Venice and we are pursuing the transformation of the Gela Refinery in Sicily into a green refinery. We have also launched a series of green chemical projects at Porto Torres (Sardinia) and Porto Marghera (Venice).

Combining gas and renewables is the ideal bridge to a low carbon future. It is the best solution to eliminate coal from power generation.

Currently coal accounts for around 41% of electricity generation but causes 73% of CO<sub>2</sub> power emissions. If we can substitute coal with gas and renewables, we will be already on track to meet the carbon reduction target of the 2°C scenario.

We believe in the effectiveness of the international climate partnerships, so let me highlight our international engagement.

In 2014 we were among the founding members of the Oil and Gas Climate Initiative with another nine Oil & Gas Companies to seek common solutions on climate and promote technological development.

On gas flaring, we have been part of the World Bank's Global Gas Flaring Reduction for more than 10 years and we are committed to reach zero routine gas flaring in 2025, 5 years in advance of the GGFR commitment.

We are members of the Climate and Clean Air Coalition for minimizing methane emissions.

That's our decarbonization strategy, but now I would like to go deeper into the concept of stranded assets.

A stranded asset can be a resource with a high break-even price, or a resource that is under substitution and therefore with a declining demand.

We managed these situations in two ways:

1) First of all our choice is to grow through conventional assets, which ensure lower breakeven.

In recent years, while the industry was moving towards more expensive projects, we kept our project breakeven at 40\$.

We have managed to reduce this to 27\$ following our huge near field exploration discoveries and project optimization.

2) Secondly, gas is very important to our portfolio, accounting for around 70% of our contingent reserves. Gas is the cleanest and most efficient of the fossil fuels and its role in the energy mix is becoming increasingly important.

If we add all these factors with our strong position in Africa, in terms of reserves the risk of stranded asset is greatly reduced.

In fact talking about Africa, 1.2 billion people live there, 16% of the world's population who use only 5% of its energy.

This population will grow by 1 billion in the coming decades almost doubling its energy demand.

And what's more, 50% of the African energy mix is still based on polluting biomass like wood and charcoal which needs to be replaced with cleaner sources like gas and renewables.

Africa, then, needs to leverage its huge potential coming from more than 14,500 BCM of proven gas reserves and the enormous possibilities deriving from all the renewable sources it has.

And for this, Eni's assets and gas and renewables projects will become even more valuable.

Finally, I can say that the Eni scenario is more conservative than that of the International Energy Agency, so the evaluation of our portfolio is not impacted by the 450 ppm Scenario.

It is also worth highlighting that Eni applies a carbon pricing sensitivity of 40 \$/ton CO<sub>2</sub> in real terms that implies a strong readiness in our projects for emissions optimization.

And now let's focus on the first of our operating levers, our model of cooperation and development in host countries.

We can see this model in this short video

#### INFOGRAPHIC

Our cooperation framework supports local development, seeks to minimize socio-economic gaps and involves all stakeholders.

When we started in Africa, about 60 years ago, we were not a big company. We were surrounded by all the major players who were supported by historical relationships with African countries.

For that, we needed to do something more than just investing for export. We invested to capture domestic potential to increase local development and raise hosting countries profit share, by creating 50/50 incorporated joint ventures.

And this initial weakness became our strength, our belief and, in the end, our culture.

We understood that involving the host countries more and supporting their development, was the only way to grow together and to be recognized.

Essentially, the main step is to pass from being merely a shareholder to being also a stakeholder.

By doing this, we became local, anticipating and providing for domestic needs.

Even today, this is how we work.

Our attention is focused on:

- Production for the domestic market
- Access to electricity
- Diversification of the energy mix
- Diversification of local economies
- Transfer of know-how and technology
- Local development in health and education

This cooperation model helped most of the areas we operate in, with their development, and improved living conditions.

It also gave us the credibility that strengthened our ties with the countries.

This has been crucial to our growth in Africa, where we produce around half of our equity production and now we are the first operator.

We understood from the beginning that the low level of access to energy has been the main reason for social and economic gaps and for weak development, fragile health conditions and safety issues.

In Sub Saharan Africa, around 600 million people live without access to electricity and the average electricity consumption per capita is around 200 KWh. Compare this with an average of 2,000 in Asia, 5,000 in Europe and over 10,000 KWh in the United States.

For this reason we decided to develop energy sources not just for export, but also for the supply of local populations, providing millions of people with access to energy.

Since the 70s, we have shared electricity production coming from our plants with local communities.

And nowadays, in the Mediterranean area, we provide:

- Almost the entire amount of gas necessary to supply Libyan power plants, more than 5 BCM per year, covering all power needs, and

- in Egypt, where our entire gas production already stays in the country, we will help to create the conditions for energy independence, thanks to the development of the new giant discovery of Zohr.

We are selling our gas production domestically in 14 countries for a total volume of 43 Bcm/y.

In particular, in 10 countries, we deliver our entire production for local consumption.

Moreover, in Africa we have invested to diversify the energy mix, 50% of which is currently based on biomass and coal.

In Sub-Saharan Africa, we have invested in power generation using associated gas - which has traditionally been flared - and today we are the leading power producer amongst all of the international oil companies. By doing this we have managed to improve access to energy in areas where the energy supply was scarce and unreliable, while reducing gas flaring.

Eni has installed more than 1 GW of electricity capacity in 4 plants in Nigeria and Congo and transmission infrastructures which provide 20% and 60% of these countries respective electricity supply, for an investment of more than 2 billion \$.

In total, in the Sub-Saharan region, we have installed electricity plants to provide power to over 18 million people.

This model will soon be replicated in Angola and Ghana, where we have already signed an agreement for the development of new projects, as well as in Mozambique.

In line with our project to sustain a low carbon energy mix, we are investing in renewables to include various energy solutions that are customized to the needs of the countries, generating energy from renewable sources alongside existing oil and gas production by using facilities already in place or through offgrid plants.

Outside the energy sector, we are actively engaged in promoting local projects, helping diversify countries' economies and supporting agricultural programs.

In the period 2010-2015 we have invested around 600 M\$ supporting more than 4 mln people through agricultural projects, access to water, health care and education and in the next 4 years we expect to maintain the same investment.

Between 2010 and 2015, we involved 550,000 people in agricultural projects.

An emblematic example of this economic diversification is the Green River Project in Nigeria, which aims to develop agriculture and promote modern farming techniques and new crops.

We started 27 years ago, selecting the most appropriate seeds with the support of Lagos and Florence Universities, training local people and incentivizing micro credit. Over the years this project has grown, creating around 500,000 new jobs in the heart of the Niger Delta.

Other key concerns are access to water and education. We carry out projects in 11 countries, providing a supply of clean water to around 130,000 people. We are also involved in the provision of education facilities to 90,000 students mainly in Mozambique, Kazakhstan, Nigeria and Congo.

Finally, our sustainability projects focus on better health care, including prevention programs, training for medical personnel and provision of medical supplies, involving one million people.

Sharing know-how and expertise is another leg of our cooperation model.

It encourages the development of local skills and streamlines the supply chain.

In the last five years, we have increased the share of local employment by more than 21%, and on average we reached a level of around 80% of local employees in our consolidated affiliates.

In Egypt, Libya and Nigeria, our historical countries, 92% of the employees in 2015 are local.

On the supply chain, in 2015 we spent 13,5 B€ on local procurement, a 20% growth in 4 years, working with more than 9,000 local contractors, which provides around 66% of our procurement.

This concludes the first part of the presentation and now I leave the floor to Roberto Casula, who will give you more details on our operating model.

Thank you Claudio.

The second lever is our operating model, which is characterized by a continuous effort in minimizing risks along the whole production cycle.

On this, specific risk evaluation and management is carried out in all operations to support decision making and efficiency.

Focus on minimizing risks and safeguarding people and the environment, is a must in our operating model and one of the main targets of each phase of the production cycle.

Safety and Environment are at the top of our priorities.  
Let's watch a video showing our performance.

INFOGRAPHIC

For the last 3 years, we have been the industry's top performer regarding the reduction of injury rates. In 2015, the Total Recordable Injury Rate was 0.45, which is significantly lower than the peer average of 1.3, and testifies to our commitment to improving our safety performance, where we target a zero level of injuries.

In terms of environmental protection, we are also improving all our performances and indices, along with a growing commitment on conservation of natural resources:

- For flaring, we cut flared gas by 3 quarters compared to 10 years ago and we target zero routine flaring by 2025;
- We have halved upstream methane emissions since 2007 and we will further reduce them by up to 80% by 2025;
- And finally we have raised the re-injected water rate from 40% to 56% and we plan to reach 64% by the end of the decade.

All these results have been achieved thanks to our strict policies and procedures which also cover related issues like conservation of biodiversity, attention to sensitive areas and water stress.

Exploration is the first building block in growing reserves and consequently our company's future and success / as well as being the strategic driver behind our low-cost organic growth.

For this reason, we decided to strengthen our exploration organization and strategy. Indeed our objective was to manage exploration activities with a more entrepreneurial spirit, more weight to competences, fitting closer with the rest of our upstream strategy which is pointed at optimising time to market in developing our discoveries.

To do this, we built a balanced exploration portfolio where we have a proper mix of near field exploration opportunities and few high risk high reward frontier initiatives.

The first, provide us, in case of success, a fast time to market, taking greater advantage of already existing infrastructures. The second gave us the transformational discoveries and the volumes that will provide the base for reserve replacement and long term production growth.

In the last eight years, we have discovered around 12 billion barrels of resources at a unit cost of 1.2 \$/b. This means we discovered 2.4 times what we produced in the period, far above the peer average of 0.3.

One such exploration success is Zohr, the latest giant discovery, the fifth in the last five years, all of which are located in different basins and prove new plays. Out of 12 billion barrels of resources discovered, so far we have promoted around 8.5 billion barrels to 3P reserves.

But how did we get here?

As I said earlier In 2008, we made the strategic decision to change our approach in exploration and to develop internal competences and proprietary technologies.

These last 8 years, we have spent more than 200 Mln € in Geophysical and Geological Research to develop our own proprietary technologies for Seismic imaging and Petroleum System Modelling in order to:

- Better quantify geological uncertainties
- De-risk Exploration,
- De-risk the Asset Life cycle

These technologies are based on complex algorithms and implemented on our high-performance hardware platform located in our Green Data Center, where we can call on 4,5 petaflops of computing capacity.

With this, we can process about 90% of the depth imaging projects in-house, savings on the cost of licenses.

All of this is also instrumental in fast tracking the transformation of discovered resources into reserves, but we will come back to this later on.

Let's go to how we turn exploration successes first into reserves and then into production – I mean our development activities.

The transition from resources to reserves is the result of workflows, processes, organizations that have been critically reviewed, in some cases in the light of lessons-learned on the operated and non-operated projects, to mitigate the execution risk, improve the time to market and enhance the profitability of our projects.

Indeed, we have left behind the usual sequential pattern of our activities, choosing instead to carry out most of these in parallel and with greater integration among the different disciplines.

This has had two main results. The first one was that we can perform reservoir modelling

during exploration and appraisal phases, and the second one is that the design of the surface facilities can be tailored to the way the information on the reservoir and fluids is evolving. All of this contributes to reducing subsurface risks.

The close integration from exploration to start-up means fast-tracking resources into reserves. Indeed, to mitigate risks associated to development activities, reduce costs and enhance the time to market, we pursue a simpler, more effective and manageable approach composed of the following elements:

Firstly, a phased approach. This gives us a better time to market of our projects and accelerates start-up and ramp-up;

Second is design to cost. This is where the project is optimised to reduce development costs whilst making sure the facilities are energy efficient and environmentally safe,

Third is the strict control on project execution: contractual strategies, design freezes, and maintaining high level of supervision by using our own people.

Finally, a closer integration between commissioning and operations;

This approach resulted in an average upstream cost of our new projects from 30\$/boe level of 2014 to around 20 \$/boe.

Furthermore an other important element is a high level of operatorship, which will reach 90% in our start-ups in the next 4 years, putting us in a position to strictly control risks, costs and time.

Let me give you some examples of our integrated approach to exploration and development, Marine XII in Congo and Noroos in Egypt.

Both Marine XII and Noroos come from our near-field exploration strategy, which is leading to a rapid development of these new discoveries thanks to synergies with the existing production infrastructure with an exceptional time-to-market.

In Congo we reached first oil just 11 months after discovery.

The huge potential of this play is now about 5.5 billion boe of resources and we expect further upsides reaching overall production of 150 kboe at the end of this decade.

In Egypt, the Nooros field has reached in only 13 Months a production level of 128,000 boepd. We expect to reach a production level of 160,000 boepd early next year.

Let's now focus on our drilling activities, where we manage one of the most relevant technical risks of our business. To give some numbers, over the last 4 years we have drilled, both in operated and non-operated activities, an average of 490 wells per year, whose 15% is represented by critical wells.

Our drilling activities are managed through an advanced risk management model, which is based on three pillars: competencies, processes and technologies. For each well to be drilled, we make a detailed analysis and, if risk is too high, we simply decide not to drill the well.

Let's start then from competencies. The technical organization located in Headquarters closely follows-up the professional family worldwide, and ensures that all our people are properly trained and have the right competencies. This is achieved through an intensive training program and a dedicated learning process on the job, with the aim of maintaining the ownership of operations through the internal know-how, minimizing the use of consultants. In 2015, only for the drilling activity, Eni invested more than 5 M€ to

provide over 100.000 training hours, with about 1800 attendances.

In terms of processes, on all wells classified as critical, for example high pressure-high temperature wells, the Headquarters technical organization must give its endorsement to the well drilling design before activities start. Then, during execution, we closely follow up critical wells operations through our Real-Time Drilling Centre, where the same information available at rig site are shared with the most qualified experts, who provide a full technical support to lead the operational decisions, wherever the wells are drilled.

Finally, Eni is leader in the development of technologies aimed at maximizing safety. All new technologies are developed internally, starting from the proof of concept to the engineering design and the application of patents. In the last years, the use of innovative technologies and the Eni approach have reduced the probability of incidental events by an order of magnitude compared with peers (10<sup>-5</sup> vs. 10<sup>-4</sup>, one event over 100.000 wells vs. one event over 10.000 wells), and we intend to reduce it by a further order of magnitude.

Furthermore, we have developed a proprietary system, named "e-WISE" (eni - Well Incident Systematic Evaluation), certified by DNV, which allows to accurately estimate the probability of incidents and to select, during the engineering phase, the well design that minimizes risks. Then, during execution, it allows us to focus the attention on critical operations.

At the same time, Eni has focused the research on the development of emergency response technologies such as :

- "Dual ROV - Killing System"
- "Rapid Cube", which is a containment system

Both these technologies enable us to quickly restore well safety, in the remote case of an incident, reducing its potential consequences.

And now a focus on our policy in order to preserve one of the most sensitive regions, the Arctic, where we are operating around 130 thousand barrel per day of oil.

Our operations today are concentrated in three areas: we produce from two fields in the North Slope in Alaska, we are exploring and producing in the Barents Sea, where we have recently started the Goliat field.

According to our policy drilling activities in the Arctic are carried out exclusively in the ice-free offshore areas. A satellite monitoring to detect the presence of icebergs and remote monitoring for all activities are in place.

Site specific procedures are applied to guarantee the conservation of fishing activities and biodiversity and our operations take place only when there is minimal effect on the marine habitat;

In terms of activities, we apply our drilling and containment technologies.

Above all, we maximize the involvement of local populations, keeping them informed, safeguarding their activities and making use of their skills for the management of emergencies (for example the use of fishing vessels for the containment of any oil spills);

In addition to the areas already mentioned, we also have long term interests in North East Greenland (where we are performing very preliminary environmental studies) and

the Russian Barents. Once again our driver is to carry out activities only in areas where we can operate and manage both routine and emergency situations through existing technology and where we are expecting a breakeven price in line with our portfolio.

And now I leave the floor to Luca Cosentino, who will give you more details about the actions we are pursuing on our path to decarbonization

Thank you Roberto.

Let's look at the third lever of our operating model: the strategy on decarbonisation.

Let's start with the role of gas in the transition process.

The promotion of gas is key to our decarbonization strategy, which in turn is based on the ideal energy mix of the future.

According to the IEA scenario, global energy demand in 2030 will increase by 21% with respect to the current levels, reaching 16 Gtoe. However, this growth will only involve minor changes in the energy mix. Coal will still play a major role, satisfying 26% of total demand, while modern renewables will contribute just 4%. As a consequence, this will cause a further increase of total GHG emissions, from 32 Gton in 2013 to 35 Gton in 2030.

If we do not intervene to change the energy mix, we will not be able to reach the goals of meeting energy needs and safeguarding the environment.

We all know that modern renewables, like solar and wind, have a very positive impact on the environment but today they still suffer from several limitations:

- extended areas that are needed for installation; a wind field for example, needs 200 times the space of a gas power plant;
- intermittence, subject to the availability of the natural source and to climate conditions;
- low utilization factor, and
- geographical misfit, meaning high potential areas are often far from consumption areas, and require large investments in infrastructures.

When considering the pros and cons of the different sources of energy, it is clear that today the best partner for renewables is gas.

From an environmental perspective gas-fired power plants are more efficient and produce about half of CO<sub>2</sub> emissions with respect to a coal plant, and none of the other pollutants as SOX, NOX and fine dust.

In terms of costs, gas is a highly competitive resource as well as being reliable and secure. Gas is therefore the best energy source as it can supply power systems with baseload profiles and considerable flexibility.

We also have to remember that gas is largely available and easily accessible, with current estimates of proved worldwide reserves around 203,000 bcm.

In this transition process towards renewables, natural gas is the ideal fuel for electricity generation, and has an important role to play also in transport.

Today, 58% of Eni's portfolio is made up of gas and the forthcoming projects in Mozambique, Egypt and Indonesia confirm Eni's commitment on this front.

In terms of GHG reduction, we have implemented a number of initiatives that allowed us to reach a reduction of 28% in 2015 with respect to 2010 levels.

In the upstream sector, in particular, we have reached a level of unitary emission of GHG of 0.2 tons of CO<sub>2</sub> per each ton of oil produced, which is among the lowest of the industry.

In coming years, we are planning to further improve these levels, targeting a 43% reduction of GHG intensity 2025.

We will reach this goal through three main activities:

- continuing the reduction of flared gas (mainly in Nigeria, Congo and Libya), with a planned zero emission target in 2025
- improving the monitoring and reduction of the fugitive emissions of methane along the O&G value chain, aiming at a reduction of 80% of GHG emissions in the Upstream sector and
- further improving the energy efficiency of our plants.

Now, let's talk about renewable energies.

First of all, let me highlight that Eni is not a newcomer in this field. We have been working in solar technologies since 1980 and for over 30 years we have been engineering and producing high-quality photovoltaic cells, installing more than 50 large-scale solar plants, both in Italy and internationally. We therefore have a distinct competence that forms the basis of our new approach to this business.

In late 2015 we created a Department named Energy Solutions, reporting directly to the CEO and whose objective is to identify and deploy new initiatives related to renewable energies.

Since then, we have developed an original business model, which is based on a number of distinctive, competitive skills and characteristics including:

- Our global presence and large portfolio of industrial assets, that provide us with a large number of opportunities both from a geographical and a technological point of view
- The know-how in managing large scale projects in a number of different domains, from upstream, to downstream, to power generation;
- Our excellence in Research & Development, and our ability to timely deploy the best ideas and concepts;
- And finally, the capacity to activate multiple and flexible financial levers, according to type of projects and location.

We have identified two main types of projects, Brownfield and Greenfield.

- Brownfield projects are related to existing industrial assets and have the objective of producing energy from renewable sources, taking advantage of all the industrial, commercial and contractual synergies. These include fossil-fuel replacement projects, for example, replacing fuel gas with solar power;

- Greenfield projects which are new renewable energy projects not related to existing asset.

In recent months, we have identified and launched a number of large-scale renewable energy projects, both in Italy and internationally.

In Italy, we have started an important initiative called 'Progetto Italia', whose objective is to make use of our own industrial land in order to implement renewable energy projects. We have identified 15 projects so far, for a total capacity of around 220 MWp, mainly photovoltaic, that will be installed before 2022.

Outside Italy, we have already started utility-scale photovoltaic projects in Pakistan, Egypt and Algeria, for a total planned capacity of around 160 MWp, to be completed by 2018.

All these projects will be realized in a fast-track mode. We plan to take 6 FIDs by the end of this year, for a total capacity of about 150 MWp.

These plants will be completed and connected to the grid between end of 2017 and beginning of 2018.

In terms of avoided emissions, the current portfolio of projects will save about 0.3 Mtons/year of CO2 for the next 20 years.

In the longer term, we will work to maximize the use of renewable energy in all our facilities, as well as expanding our overall installed capacity, with the objective of making our business more efficient in terms of energy production and consumption, while contributing to the reduction of GHG emissions.

To conclude our presentation I'd like to share with you our brand new mission statement which is the perfect way to summarize the essence of our ESG efforts.

- *"We are an energy company".*

- *"We are working to build a future where everyone can access energy efficiently and sustainably".*

- *"Our work is based on passion and innovation, on our unique strengths and skills, on the quality of our people and in recognising that diversity across all aspects of our operations and organisation is something to be cherished".*

- *"We believe in the value of long term partnerships with the countries and communities where we operate".*

The key words in this mission statement are :

1 ) *access to energy*, which means development and building a better future for humanity

2) *Diversity*, which means respect for others and inclusion, enhancing all the potential around us

3) *Stakeholder engagement* which means creating long term value

Thank you for listening, and now we will answer your questions.

## ESG Presentation

### Developing Sustainable Energy: Eni's Integrated Model

Paris, 30<sup>th</sup> September 2016

#### Q&A

##### Company Participants

- Claudio Descalzi – CEO, Eni SpA
- Emma Marcegaglia – President, Eni SpA
- Massimo Mondazzi – CFO, Eni SpA
- Roberto Casula – Chief Development, Operations & Technology Officer, Eni SpA
- Francesco Gattei - EVP Scenarios, Strategic Options and Investor Relations, Eni SpA
- Massimo Mantovani – Chief Legal and Regulatory Affairs, Eni SpA

##### Other Participants

- Bertrand Hodée (Kepler Cheuvreux)
- David Shammai (APG)
- Matthias Beer (BMO Global Asset Management)
- Matthias Narr (Robeco Institutional Asset Management)

<A - **Francesco Gattei**>: Okay. We are ready now to start with the Q&A session. First of all, I'd like to say that we'll have a session dedicated for investors. After the break, we will have, of course, some time for the journalists. So, please, before asking...

<A - **Claudio Descalzi**>: For the journalists.

<A - **Francesco Gattei**>: For the journalists. Please, before asking, state your name and company. Thanks.

<Q - **Bertrand Hodée**>: Bertrand Hodée, Kepler Cheuvreux. So, just before asking my question, I'd like to thank you again for choosing Paris and for choosing Kepler Cheuvreux to help you organize that important event for Eni. So, my question. Two, please.

One, Angola. There has been several reports in the press about potential safety breaches and security issues on Angola. Can you give us an update on the status and also on all the remediation measures you may have taken since the various incident?

And the second question, you also consumed around 3 gigawatts for your own, I would say, production facilities. You have several projects that you've announced in Algeria, in Egypt to try to substitute gas to renewables for your own, I would say, production. What are the targets you want to achieve in terms of this potential substitution inside those 3 gigawatts?

**<A - Claudio Descalzi>**: Okay. So, first question is Goliat and thank you for the question sort of allow us to explain why it happened. First of all, Goliat started in spring and we already produced more than 10 million barrels of oil. From a technical point of view, we never had big probably; we have just had twice an electrical shutdown in order to reduce CO2 emissions. Goliat is a very good project also from this point of view to reduce CO2 emission, all the electrical generation is onshore, and then we have cable to give power to the platform. That is quite unusual, because normally in the oil and gas business, we use our gas – for example, mainly gas, 100% gas to give continuity. We have our generators and we give continuity. That is because we want to keep continuity in our process. The process is quite delicate, because it involves wells, involve separators, it involves transmissions, it involves offloading oil, we use power to offload oil. So, we want to be sure. But now, we thought that with the goal we set out that to reduce CO2 we have to make a big effort. So, that causes some problem.

So, from a technical point of view, I think that we didn't have a big problem. I think that when we start up in a so delicate environment, what we did – we realized a platform that is very sensitive, very touchy platform, that as soon as you touch something, it means you're reacting, not just in term of emissions clearly, gas leak clearly, but also some human error. So, there are other systems that are more – for which the tolerance is much more higher. In this case, we wanted to really to reduce them (to a minimum).

So, we had some growing up in the knowledge and in the experience for all the team, and the team means all the safety and all the operational people. And so, the soft issue has been much more important in this case than the hardware. So the hardware is good, but the old software that requires strong knowledge to put up in place these projects has been quite important. Also to consider the Alt-B project. Now, we are in Norway, so we're seeing after once in a while all these projects have a long time to – a long transition to put in place and fine-tuning all the different systems. So we have to think that is just four months, five months of production and [ph] with some big system sometimes require.

But additionally, there are also these things that we had to train and re-train. And also, I've been there, talked with our people and also the stakeholders with all the Norwegians stakeholder and institutions. It's clear that the innovation system is very clear. It's a three-party system; your workforce, you have the company, you have the union. And so, you have to involve, inclusion and involvement, and I think that we learned the lesson. We paid the lesson quite expensive, but we learned the lesson that we have to adapt to the system where you live. And this three-party system, that is very good, it's very powerful; you must understand the first time that we operated there. So I want to really be very clear and candid on that. We have to learn. We learned, I think. But it's clear that dialogue inclusion was one of the issue we had, and I hope that we are improving.

The second point is perspective and it's a very important question, because it's related to our longer view about the decarbonisation process in our company, especially because we have a big advantage, a big opportunity. We have a geographical feet, because we are and we have operation

where we have the renewable energy in a very strong dimension. So, we have the opportunity to do something that is very important. We hope that we can replace an important part of these 3 gigawatts. I think that we have to – the work is in progress, that would be our 10-year plan. So, it's a big project that is going to – that we are going to work in the next 10 years.

We want to – as I said to also, green project as Luca said, off-grid especially in Sub-Saharan Africa, where you cannot reach all the different point. We already did some exercise some years ago in Congo. But I think that this is one – will be one of the main project, I'd say, a 10-year project. From the first estimation, we can say that we can, we have the possibility with the existing technology to replace at least one-third of this and we aim to do more. But – and that will be a very important plan, because it's going to free up a lot of gas, a lot of fuel that can be – that we can use in the countries where we work.

**<Q - David Shammai>**: Yeah. David Shammai from APG Asset Management a Dutch Pension Fund. I thought the question about the Goliat platform, was interesting. And I wanted to add to that question about the Douglas project and also about the – actually, the Val d'Agri field.

**<A - Claudio Descalzi>**: Sorry. Can you repeat, because it is hard for me, Douglas and...?

**<Q - David Shammai>**: Douglas project and probably mispronouncing it, but it's the Val d'Agri field.

**<A - Claudio Descalzi>**: Val d'Agri field?

**<Q - David Shammai>**: Yes. So, again, with the Douglas project back in 2013, the UK regulator has issued – requested Eni to inspect the trunnion pipe supports. And then, earlier this year, has issued a provision notice that forced the shutdown of the field. Then, in the case of the Val d'Agri field also forced shutdown provision by the Italian regulator and also some arrests in connection with the inspection. So the question is – for the Douglas field, the question is, has Eni done something or how did Eni respond to the early warning...?

How did – was there any response from Eni back in 2013 with regards to the first warning from the UK regulator? And the question about – the second question is also, is there here a pattern of ignoring early warnings until there is a more serious forced shutdown or investigation?

**<A - Claudio Descalzi>**: So, just to give you the – there is no pattern or trend, because we have so many projects and I can answer about Val d'Agri, that is a quite clear case, at least for me, and I can answer Val d'Agri. You want to talk about Douglas and I'll talk about Val d'Agri?

**<A - Francesco Gattei>**: Yes. About Val d'Agri, you are describing a case that can happen, it happened and it is the first kind of warning that was, say, signed by UK. You know that Douglas is part of the Liverpool Bay that was acquired by Eni, by a previous operator. It's a mature field. So, it is part of normal activity. So, it can happen. It is the first case that it occurred. It has already replaced what happened and it is – so the field is currently back to operation. So, there is no, let's say, specific or any kind of event justifying this kind of public attention to Douglas.

**<A - Claudio Descalzi>**: So, for Val d'Agri, I think that is a more serious start-up with respect to Douglas. What happened is that we received an injunction and we stopped production in end of March, in beginning of April, for something related to water injection. So, water injection in the water disposal well. The issue that has been said that the water composition was not in line with the rules and authorization that we received for the project. This issue is not just that we neglected their warning, is that when we received the warning, we asked a complete third-party to run the test for

90 days, and then we test that without our people. And the composition of the water was in line with the authorization with the Italian laws and authorization and within the international standard.

So, exactly what we inject – exactly what's injected in the U.S. or in UK or Norway or Kazakhstan or everywhere. So, we discussed with the prosecutor, and then we obtained the possibility to restart. We made additional separation for our gas, so standard very marginal remediation job that didn't imply any new authorization in the project. So, it has been done very quickly. Our position is clearly that what we did and what we are doing is in line with the rules. Just to give you an idea, this process – this project that is run by us and as part of Shell passed through a very long process, authorization process in Italy, and we have at least – we have 26 different signature authorizations between the central and the region and all the different stakeholders.

So, it's been very, very long. In Italy, the time-to-market is at least double or three times what we have on average in the rest of the world. So that means that there is a lot of attention, because the environment is very sensitive, a lot of population, a small country. So, the regulation is now may be more stringer than in Norway, if I can say. But in this case, what we think is that we did the right things. So, now, there is a process ongoing, we're going to see that at the end. But it was not that we neglected some early advice or some early notices that we think, and also the third-party think, that's what we are doing is in line with the international standard. So, that is my answer.

**<Q from the public – unknown speaker>**: Thank you, and thank you for the very interesting presentation. I have two question; one is on your integrated model and the other one on governance.

The first one is, do you envisage to improve the reporting and targets on a regular basis of your integrated model to help us understand how it underpins your core business? We're interested in more granularity into the CapEx, the OpEx, the output sales beyond your very clear license to operate model.

And the second one is on governance. So, we are very pleased to see here our electable representative on the board. But recent decisions raised very strong concerns around the governance of the board and the respect of minority shareholders. So, I was wondering if you could give us some views on that.

**<A - Claudio Descalzi>**: Okay. So I can answer on the first question and I'll ask our Chairwoman to answer the second one. Now, for the first question, we present our KPI in our result on a six-month basis. So, we make full disclosure. Now we – once a year, we are going also to make a presentation, a specific presentation on sustainability, environment, social issues and may be that is today.

So we want start a tradition to disclose completely what we are doing, because we are doing a lot and we understood that nobody knew or few people knew about our big efforts on sustainability. So the answer is yes. So we are going to present figures, but we are going – we'd like also to start presenting how we work that will give much more colour and understanding with respect to just numbers.

**<A - Emma Marcegaglia>**: Thank you for the question. It's my pleasure to explain what happened. And I think you are referring to Karina Litvack's situation. So what happened is the following. In July, the Board was made aware of a preliminary judicial investigation involving among other people, also Karina Litvack, which alleged wrongdoing, so offence against Eni and its CEO, then if you want some more details, I can do it. But it's an offence against Eni and its CEO.

Of course, as always, we do in this situation, the Board took legal advice and I don't know if you know the Italian Civil code and the Eni's By-laws and also, the Italian Corporate Governance Code and her suspension in the CCR] they said that when there is, you know, the risk of prejudicial circumstances, the Board could be liable for negligence if it doesn't take action.

So in this situation, the board felt in a certain way, it had no alternative but to remove temporarily Karina from being part of the Risk & Control Committee. Of course, she's still a member of the Compensation Committee. She's still a member of the Sustainability and Strategic Committee. She, of course, is a full member of the Board. She works a lot with us.

And why did we did that? Because this was done, because there was a concern regarding a potential conflict of interest between her position and the board and the company. But this notwithstanding, I want to say that the Board has full confidence in Karina's competence, integrity and innocence. We are determined to work constantly in the best way with her and, I think, I can say that she wants to work in the best way with the board, in the interest of the company.

We are also working together very closely, because we'd like to bring the cause to the swiftest possible conclusion. So we are also working on that. And of course, as soon as, I mean, the charges are dropped, it's my firm intention to propose to the board to re-nominate her in the Risk & Control Committee. And apart from this, of course, we give her full support, moral and also financial.

So we will pay, the company will pay for her defence. I mean there is an insurance. We think the insurance will pay but if there would be any problem with the insurer, the company will pay for her. So it's very clear this. And I think we will work altogether in the spirit of the best mutual trust and ongoing collaboration. Today, she's here with us, and we are very happy that she's here with us. And of course, we consider very valuable her work on any fields, but particularly on the field we are discussing together today.

**<A - Claudio Descalzi>**: I just have to add one point that we – for this presentation, Karina helped me on the Q&A just to give you an idea of how the situation and the environment is. Unfortunately, this has happened, but we are working very closely and warmly together.

**<Q - Matthias Beer>**: Matthias Beer from BMO. And thank you again for the clarification on the governance issue and we look forward to receiving more information as this matter progresses. I've got two questions.

One relating to what you were speaking about the portfolio resilience, how you're testing that at Eni, and you talked a lot about cost competitiveness and your focus on gas. You said very little about oil and how you stress test different scenarios for how oil demand will impact your portfolio decisions going forward. So if you could speak to that, that would be great.

Second question, it's about the new Energy Solutions business that you were talking about, and it's good to see that Eni together with some of your European peer companies are sort of building up that institutional capability to look at alternative energies going forward. Question is, what are your business objectives with this? Is this a potential third-leg you're growing there in addition to oil and gas? What are the underlying KPIs you're looking at in terms of revenue, in terms of CapEx, R&D, if you could speak sort of more to the numbers you alluded to? Understanding the timeline of these objectives would be good. Thank you.

**<A - Claudio Descalzi>**: Thank you very much. We – I didn't highlight or speak about the oil, but when I mentioned the 450 ppm, sort of the two degrees scenario, clearly, that was related to the oil price. And when we talk about the oil price and we show the oil price that it's a long-term \$65 per

barrel, that is one of the lowest in the industry. That means that also from the oil side, from the oil point of view, we – that is our – we are very resilient. And in view that our upstream portfolio, on average, it's \$27 per barrel and technically, it's less than \$20 per barrel. And just to give you a breakeven, we have less than \$1 now, we have less than \$1 on average up to now, less than \$1 per barrel on average for exploration. We have \$6.2 per barrel for operating costs, and we have \$11 per barrel for development costs.

So we are improving in terms of costs and asset. We are improving, because with the recent discovery over the last couple of years, we increased the conventional or we can see, near-field discoveries and that reduced the overall breakeven, because we have a less investment, Nooros was an example, Marine XII is an example, Egypt, in general, is an example, but also Libya. And we have existing facilities and that is – really create a big drop in our costs and also the flexibility to move from complex and more heavy project that we had in the past to this project, so we shift the investment. And for that reason also reducing of 18% that was our target investment. We confirm our growth of more than 3% on average per year of our production.

So oil is that. It's oil and gas clearly. And why I talk more about gas, because we talk about access to energy and we talk about power generation and we talk about coal and we talk about CO<sub>2</sub>, so we talk about the fuel that has to stay along with the renewables to reduce the CO<sub>2</sub> emissions for that reason. So it was more aimed at gas.

Going to the second question, what do we want to do with these renewables, it is not just a temporary exercise, it's a long one. Now, we think that is – we are working on the long-term and when we talk about – as the first statement in our mission statement, we say, we are an energy company. Also before we were an energy company where nothing came, but now, when we want to stress that we are an energy company, that means that through gas and through renewable, we want to also work on this side of the business, of the industry.

But our way of doing that is quite different from others. Why? Because we are in Africa. We are the first company in Africa. We have a big exposure there. We have land. We have facilities. And we go through a transformation of our activities, especially where we are producing oil and gas, we have facilities. We want absolutely to pursue our targets when we talk about the 3 gigawatts that we consume. And now, we have other projects, we are going to increase the internal consumption, really we want to displace if possible, where possible, but at the maximum level of this.

That is a big impact, but it's a transformation inside our core business. And the core business and the renewable one, they are going together. It's clearly that the renewable one exists and we can do that because we have the core business. So it's an improvement. It's the strong optimization in the core business making it more efficient. What I'd like to do now is really to focus on that. We have a huge amount of energy that we can produce. We talk about a 10-year plan that is very, very important. We talk about hundreds of millions of dollars to be invested. But again, when we talk about this investment and we look at the internal rate of return of these projects, that normally is not so high for a renewable.

When we look at our renewable business in Italy, you see an average of 5%, 6%, 4% maybe less if there is no subsidy percent of internal rate of return. In this case in Africa, in our case, also, in our case it's a little bit different. Why? Because first of all, we are replacing gas so we are not burning gas to create electricity we are using renewable. So the gas that we get from this operation is not included, but we have to be included in the internal rate of return.

We are working on our installation so we don't have investments. We are working on our land, so we are not bidding or tendering for getting land. So our surrounding costs, because of the nature of this project are less. We have the land.

We have the infrastructure. We have the facilities and we move, we push out gas as we can get to sell or to put in the system.

So this renewable system, if you ask me, that is a business. I say yes, it's a business. Is it a good business? Yes, it's a good business because you make money by especially reduce completely your emission. And we are in the right place to take advantage of that. So the question is: has it become a third leg, I think that it has— become a third leg and it's going to grow as a big leg in the future. Yes.

**<Q - unknown speaker>**: My name is [indiscernible].... I am involved in tourism development.

**<A - Claudio Descalzi>**: Tourism.

**<Q>**: Tourism development. This is my specialty. I was very impressed by this slide, the slide where you have indicated all the action you are making to develop countries, health care, education and so on. As I have succeeded in the past to bring some industrial companies, their alliance and others to do and to participate to tourism, instead to participate in bribe, I think that this is a touchy subject now, to participate to the development of the countries. And what you are doing and presenting here is a key. For me, it's a key of your presentation.

And I think that some countries where you are, like Tunisia, particularly Tunisia today, Egypt, with what is happening now in Egypt and the disaster in the tourism industry, I think that if you can, perhaps, with Italian companies, by the way, develop and reinforce the only potential that this country has. And I am also thinking to Morocco where I'm advising the government. So I think that if you can say, if you are in all these actions that you are now doing, if you can be at the side of the tourism development of some countries.

**<A - Claudio Descalzi>**: No. My colleagues are reminding me that we did in the past, in Italy, for example, we work on that with hotels. The question you are raising very interesting, because it's a question that a lot of countries are asking us, to help them to develop the tourism. And why have we not done that yet? Because I think that we have to solve – first of all, we have to solve a lot of more existential issues and like, poverty, like electricity, like education, like water.

We thought... I talked with one of the presidents that did ask, why don't you develop tourism? I said, it's not – sometimes it's not very nice that you are rich. Tourists, rich people, close to somebody that is not able to eat, drink, it's not electricity. So I said to everybody, we are ready to do that, but we have priorities. We think that the first things to do is to give equal treatment to all.

We cannot spend money on big hotels, so I took it personally, this is what I think from my view. And a lot of these people are dying. There are too many people dying in Africa and nobody is saying anything. When I told you that there are 450,000 people that are dying, because they cook with wood or charcoal and they hit themselves with that and they go to bed, in the morning, they are dead.

So I take your point. I say that we have to help these people also to diversify, we have to do, but we have to, really, to focus and to put our countries, Europe or other developing country, and the African country, in front of the fact that we cannot have this big gap. We cannot live, survive with super rich people and super poor people. We cannot save 1.3 billion people without electricity. No.

We cannot. So it's something that the Western countries, that our residential model, have to face. We have to think about that.

And that's one way I talked before about the profit and the value, profit short, value long. I think that as the society, we have to think that the long term is made by equal treatment. So sorry if I – from the question of tourism, I got to a larger issue, but it's the very, very (most pressing) talk of today and the very talk about future is the refugee issue. It's because we didn't think about the future. We thought that our model was perfect, it's not perfect. This is the result, we created a weaker West, I talk about Europe...and a very poor Africa, for example.

So I think that we have to look at priorities, and because we are – still we have money and we have something, we have to do something of this sense.

**<Q – Matthias Narr>**: Thank you very much, again, for your interesting presentation. My name is Matthias Narr – Robeco Institutional Asset Management. I have a question related to the carbon price that you made reference to. You use \$40 which I think is a little bit more ambitious than what we have seen by some of your peers, but I think also more accurately reflecting the externalities. I was wondering, could you give an example of a concrete project where the investment decision was actually put on hold or cancelled the whole project due to this internal carbon price that you use?

**<A - Claudio Descalzi>**: Then I can give the floor to Roberto to talk about that. We have to start from the point that our projects are conventional. So, with a very low CO<sub>2</sub>, there are a lot of gassy project and our breakeven is \$27. That is the first point, so we're also applying \$40. We are quite resilient to the CO<sub>2</sub> because we are very low.

And, secondly, what we are doing is, Goliat is an example, we are – from the conceptual design of the projects. Then the basic design feed is really to put in place all the different, actually in terms of processes, to reduce the CO<sub>2</sub>.

So, that's reason when I, in the presentation, said the readiness. We use \$40 per barrel in real term so that they grow. And we are ready because from now, applying that, we create a conceptual design of the project that is a very, very low level of CO<sub>2</sub>. And for that reason, we don't have this case because we work to avoid this kind of case. And maybe, Roberto, I don't know if you can add anything in the evaluation of all the projects that you are developing?

**<A - Roberto Casula>**: [Inaudible] ...carbon price, actually. We didn't cancel project because of that. But certainly, we started continuous iteration until the project economics that were vast enough to go for authorization. As Claudio said, a lot of efforts are put in the engineering design because if, for whatever reason, we see that the \$40 per ton start weakening our project – the profitability of our project, we go back to the design and we see how to have a more energy efficient project.

And this is possible because in the model I have shown earlier. You have to consider that we have now created in-house an engineering hub instead of sub-contracting to third parties this activity. So, there is a continuous interaction also on the design of the facilities in a way that we are able to present a sustainable project. So, yes, the answer is we – thanks to this sensitivity, we definitely intervene on the project. But we do not cancel projects.

**<A - Claudio Descalzi>**: Maybe Massimo can add something?

**<A - Roberto Casula>**: Yes.

**<A - Claudio Descalzi>**: Massimo is our – you know very well, is our CFO.

**<A - Massimo Mondazzi>**: Just to give you some numbers. So, as Claudio said, we used to verify applying the \$40 per ton in returns to our investment. So, we perform this exercise every six months, apply to the full set of projects that are under the supervision on our board. And so, we are talking about projects that amount in term of full life CapEx to more than \$40 billion.

So, the first very short comment that we apply \$40 together with a Brent scenario that is, as Claudio said, pretty conservative in the environment. So, in order to judge the \$40 level, we say the best way to do it is to combine the \$40 together with the Brent scenario.

Having said that, what I would say that if we apply \$40 to the overall project I mentioned, the reduction in terms of IRR is just 0.5%. So, very small. And just two projects out of the total would fall below the average.

But, in any case, it will be – the rate of return would be higher than the weighted average cost of capital. So, that's the reason why, because this project is being launched in the previous environment with higher price and the result today is the one I just mentioned. So, I will say, the final consideration that we feel much more comfortable in this exercise, having seen these kind of results.

**<Q – unknown speaker>**: [indiscernible]. I have two questions, if I may. The first one is related as you said that Goliat, you learned some lessons. I'm just trying to understand, does it have any impact on your divestment strategy, especially for the shareholder perspective, how to [ph] issue or to set up in a new oil country, a large LNG plant? So, in your last conference call, if I understood correctly, you're not expecting to give the – to sell or to give the operatorship of the new energy plants or does Goliat events recently changed your mind?

And my second question is going to be on your exposure to Africa and especially for corruption. I'm sorry, to according to some experts there is a higher probability in those countries. So, I just try to understand how – do you have an internal different way to deal with these kind of countries? Thank you.

**<A - Claudio Descalzi>**: Thank you. So, for Goliat, no. I think that there is no issue. No way, no hope for everybody to become the operator in Goliat until the last drop of oil. I want to be clear because maybe somebody can make an interpretation about my word. And we are very happy about our relationship and our operatorship there. I have to remember that we've been the first to discover oil there and we are the first to put in production a field. And we have a lot of blocks there. We are the operator, we are with Statoil.

So, we consider that in this kind of environment, the experience that we got until now is something that the country and the other company have to exploit, to use. The learning curve is very high. And Norway is a beautiful country and I said that we didn't understand, not them, so now we understood the three-party model.

So, for corruption, that is not just an African issue I think. It's everywhere. So, we have our anti-corruption principles. We have our rules. We have our filter. If you consider the country where we are, we are in the country where all the majors are. And normally with some exception – I think the

situation improved in the last years. Why? Because these countries had to be more open internal transparency showing data.

Now, if they don't show, we show. If they don't present data about taxes, bonuses or all the other payment we, now we do, and that is a very strong point. And most of the country – in most of the country and for all the big project, there is a tender. That is another important point.

About the process and governance, maybe I can – I give the floor to Massimo Mantovani to – he'll explain what is our process.

**<A - Massimo Mantovani>**: Let me say that Claudio underlined the issues everywhere. We do have a system whereby there is a risk assessment based on each country. Each country, for instance, consider even Italy, has some particularities. And that does have an impact on the overall system which is nevertheless centralized. We have an anti-corruption unit, which is now being the integrated compliance model and it's segregated from business.

So, it's also overlooking on the subsidiaries on the activities they do. And this system has been implemented also looking at the best practice internationally, we have constant contact with all other peers, and we ensure that the system is [indiscernible] with what we do.

And Claudio said something which is very important that, there is an issue which is a cultural issue. And probably the perception we have is that it is moving in all countries internally. And that is something we check. We probably have to put an extra effort not only on what we do for ourselves, but on how we can actually increase the culture in the company, in the country where we work which really is a benefit for everybody.

**<A - Claudio Descalzi>**: I'd like to just close with a – talking about the EITI action. So, we joined them in 2005. And since 2005, at least, I talk for our company. We have been very productive. We wrote to all the different – and we are writing, but we wrote to all the major institution, but we've met Presidents. We've met Ministers. We've met all – with our people to explain about transparency and most of the countries now are joining the group. So, this movement as well the transparency that is the base to – you must have internal rules. You must have – you have to apply internal rules. But excluding that, we need all the system that is moving to a better system.

And I've seen this movement and transparency is one of the most important things. Because if everybody has to show what it pays and everybody has to show what we receive, then, I don't know how they can use. But what they receive is a quite important step, and as a company, I think, in terms of EITI, that has been one of the most engaged and public heroes over there in public engagement.

**<A - Emma Marcegaglia>**: I just wanted to say, of course, the anti-corruption culture was already very strong in the company. But when this board started to work in 2014, we dedicated a lot of time and efforts on this.

Just to give you an example, in 2013, there was – the board or statutory board asked for an impact assessment, an assessment of the overall compliance anti-corruption system. The result was a very good one. But then, they give some suggestion to even go further and this board implemented that.

We had also some other advice, for example, for another American law company, an American law firm on how to do that. So, I mean, the anti-corruption process is a continuous progress of making better.

We also decided to do something different, and this was an advice coming from our legal department. For example, when there is a decision that has to be taken, the anti-corruption office has to give its assessment to the one who has to decide. So, if the decision, for example, on investment is coming to the board, the board want to see the due diligence on anti-corruption. And we had huge, I mean, discussion on some cases and we look at all the red flags, and we decided all together. So, just to give you the idea that this board has worked a lot on that. And we think that we have to increase continuously on this point. So, the attention of the board is really very high on this.

And the last thing I wanted to say is also we decided, when we look at the risk, we have a very strong risk management. But we also decided to look also at the reputational risk because also, this is something we want to consider. So, just to give the idea that we are working a lot on this point.

<Q>: Okay.

<A - **Francesco Gattei**>: It seems that we are running late. Just the last question, short question?

<Q – **Unknown speaker**>: Yes. Hello. [Bruno Rangel? ] French asset management company. Today, in your presentation, I was very impressed that it took you only three months to go from discovery to first oil at Nooros.

Where I was less impressed is Nigeria. For the past 50 years, a number of villages, communities in Nigeria have been complaining, shouting, crying, weeping, begging all majors to stop flaring. And this morning, you're telling us that you are contemplating another nine years to stop flaring in Nigeria.

<A - **Claudio Descalzi**>: Not in Nigeria, worldwide.

<Q>: Worldwide.

<Q>: I don't know. Maybe it's finished in Nigeria, but I doubt it. So, can you explain what's the technical complexity to stop routine flaring? How much money would it cost? Can you help us understand?

<A - **Claudio Descalzi**>: I'm glad for this question as one of the main points I discussed during my presentation. So, we started the trend down in Nigeria and we invest in Nigeria and Congo because where – where we have operating and we have a flaring situation offshore, for example. And we invested to €2 billion. We invested the €2 billion and because we decide that we wanted to use this gas for a power plant.

So we build – in the Niger Delta, with a very difficult exercise, we build a 450 – in the combined cycle, a 450 megawatts power and we reduced drastically our flare. So, now flaring in Nigeria that is much, much more is practically finished and we are injecting offshore. And now, in Nigeria, we are in a steady state. We are not developing anymore. So, it's very easy.

When we say that why in 2025? Because worldwide, we are increasing production and we produce more gas. And now, we are on each project as an internal project for flaring and – or you use – otherwise, we inject. Goliat is an example. Goliat injects all the gas. And in Congo, we built a power plant of 300 megawatts now to – that can be extended to 450 megawatts like in Nigeria. And we made also the high tension, middle-extension distribution line for the villages.

So, when you want to reduce flaring, you have to invest, invest in activity that sometimes are less economic. For that reason, I will stress the point that sometimes you have to look at the value and less at the profit. And that is – if you ask me how many companies, how many major company build a combined cycle and decided to invest in access to energy and electricity by investing in combined cycle. In Africa, zero. We've been the only one.

And I had to – not this board, but I had to convince the (previous) board. I have to explain to the investors why you put this money. You can have a return of 20%, 22% in your upstream business. You are putting this money that's our money in – to reduce the flare. You ask me why, it's hard to explain, because I look at the future.

But if you want money now and say, no, this money put it somewhere else and burn this gas. So, we have to consider where we live and the contradiction and the paradox. So, there are people that want all and die tomorrow. There are people that say, do something for the people that are dying so you can last more. We are in this side. I'm in this side. I want to look at the future.

<A>: The board is in this.

<A - Emma Marcegaglia>: Yeah.

**Claudio Descalzi**

We are in this. And my board is with me. I think also my investor. And for that reason, I'm today here to say this kind of thing that maybe, can be, a little bit difficult to say, difficult to hear, but I think that we have to do something for our work, for our company and for ourselves. That's what I think. Okay.

**Francesco Gattei**

I think that this is the best conclusion of today.

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